

University of California Proposed Mid-Year Budget Reductions

Summary of the Governor's Proposal.

The Governor's Mid-Year Reduction Plan proposes to reduce the University of California's current-year General Fund appropriation by \$74.3 million. Of the total proposed reductions and savings, \$19 million is in unallocated funding, whereas the remaining \$55.3 million in reductions are targeted at specific UC operations, as outlined below:

- \$20 million from general administration, academic administration, and libraries;
- \$18 million in prior year savings from various research programs, including labor studies, substance abuse, and U.S.-Mexico research;
- \$6.3 million from UC student services;
- \$4 million in prior year savings from the UC Advanced Placement Online Courses Program (UC College Preparatory Initiative) for high school students;
- \$3.3 million from UC outreach programs to K-12 schools;
- \$2.5 million from UC public service programs, including Cooperative Extension; and
- \$1.1 million from the K-12 Internet Initiative program.

In addition to these targeted cuts and the \$19 million in unallocated reductions for the University of California, the Administration also is proposing an unallocated \$1.0 million reduction for UC's Hastings College of Law.

The University of California Response.

President Richard Atkinson has stated that the University's principal priority is preserving access and quality in the instructional program. He has observed that the proposed mid-year cuts follow on the heels of approximately \$140 million of budget cuts already enacted during the 2002-03 budget process.

The University of California Board of Regents will meet in a special session on December 16, 2002 to discuss the Governor's proposed spending reduction plan. In order to preserve access and instructional quality, the following budget savings and revenue-generating options are likely to be considered by the Regents:

- *Systemwide Student Fee Increase.* The proposal calls for a \$135 (12%) per quarter increase in mandatory systemwide student fees effective Spring 2003, the first such fee increase in eight years. This would increase resident undergraduate full-year fees from a current level of \$3,429 to a proposed level of \$3,834.
- *Student Fee Increase for Professional School Programs.* The proposal calls for increasing student fees for professional school programs by between \$150 and \$400 per quarter, depending on the specific program area (e.g., law, medicine, business, theater/film/television, nursing, veterinary medicine, dentistry, pharmacy, and optometry). This increase would be in addition to the systemwide increase of \$135/quarter.
- *Adherence to the Governor's Executive Order of November 26, 2002.* To comply with this executive order, the University intends, where possible, to (1) reduce, postpone, or cancel new contracts to lease or purchase equipment that increases State costs and other non-essential goods and services; (2) reduce or cancel contracts for non-essential consultant or personal services; and (3) cancel out-of-state and in-state travel, except for essential functions.
- *Other options,* including hiring freezes, furloughs, salary reductions, and layoffs (if necessary).

Materials sent to the Regents Committee on Finance note that the University should once again take a balanced approach to addressing the current budget cuts as it did during the budget crisis of the early 1990's, when it distributed the shortfalls to the campuses and the Office of the President, to foregone salaries for faculty and staff, and to student fee increases.

The Commission's Comments on the Proposed Cuts to the University of California.

- *Proposed Undergraduate Fee Increase will likely have little or no impact on the most economically needy UC students.* Of the \$28 million in potential revenue generated by the proposed fee increases, one-third (\$9.24 million) would be allocated to financial aid programs to mitigate the effect of the fee increase on needy students. The University anticipates that the grant aid made available from the new fee revenue will be sufficient so that those students with the greatest financial need may not have to work or borrow more.
- *Reductions may have limited impact on UC Outreach Programs for the current budget year, but there will be significant impact on outreach operations for the 2003-04 budget year.* The 5 percent proposed reduction in outreach programs may have limited impact on current year operations. However, the University anticipates that its outreach budget may be reduced by \$33.3 million in the 2003-04 fiscal year. Such a reduction, along with a possible decrease of an additional \$25.4 million for student services, will certainly impact the University's ability to assist the State in enhancing the academic achievement and college preparedness

of various underrepresented demographic and ethnic-racial groups. If this scenario should occur, consideration should be given to funding programs that have proved to be most effective in serving students, rather than imposing across-the-board reductions.

- *The University will be challenged to maintain its historical level of public high school graduates admitted as first-time freshmen.* During the 1990s recession, the University was able to enroll approximately 7.2 percent of each year's class of public high school graduates. However, the absolute numerical size of the high school graduating classes projected over the next several years will be larger than the typical graduating class of the early 1990s. Given the spending reductions proposed for the current year and 2003-04, coupled with continued under-funding of the UC Partnership Compact with the Governor, the University will have an exceptionally difficult time maintaining access at historical levels.
- *The University may find it difficult to meet its goal of enrolling 15,300 community college transfer students annually by 2005-06.* In 1999, the University established a partnership with Governor Davis to increase community college transfer students to UC by 6 percent per year in order to reach a planned enrollment target of 15,300 transfers by 2005-06. Given the current fiscal crisis, which has resulted in under-funding of the Partnership and spending reductions in outreach services proposed over the next two years, it is possible that the University may fall short of its community college transfer goal.
- *The University of California, along with the California State University, California Community Colleges, and the K-12 schools, will be hard-pressed to continue its intersegmental efforts and initiatives.* With the Administration's current reductions being targeted toward non-instructional areas in the University of California, the University's priority of maintaining quality in its instructional program is thus far protected. Those reductions in initiatives having to do with K-12 schools, however, will have an impact on the University's other commitment -- that of access -- for it has been through these initiatives that K-12 schools have been strengthened and their students better prepared and therefore eligible for admission to a University campus.

These reductions also impinge upon the very principle of intersegmental collaboration that is perhaps even more critical to maintain during budget crises than in ordinary times. Rather than costing more, such cooperation has the potential to save resources by making better use of them and should remain a basic tenet for higher education in the months and years ahead.